



2nd Inter-Agency Coordinating Group Meeting

September 27-29, 2016
World Bank Group, Washington, DC

ICP Africa Briefs

Do you plan to collect ALL data for ICP 2017 in 2017?

“YES”, all data for ICP 2017 will be collected in 2017.

However, to ensure data quality and ICP/CPI integration in Regional Member Countries, the process will further run in 2018, with processing in 2019.

Do you plan to utilize data from the regional interim updates for ICP 2017?

Yes, and No.

Yes, data from the regional interim updates will be used for some countries, however, no, it won't be used for other countries whose interim data is poor in terms of basic heading coverage and price data quality.

If yes, please explain which data you will be using and how you intend to extrapolate to 2017

The adjusted intermittent time series methods, and various robust methods will be explored, depending on the availability and quality of time series from 2005 to 2017. Extrapolation with robust approaches will be on Prices and GDP Expenditure components; we will ensure that such extrapolation is economically sound.

Do you intend to use reduced items lists for ICP 2017 (in relation to ICP 2011)? If yes, for which surveys?

The 2015 lists were reduced from 2011, and will be used for HHC and special surveys.

What regional workshops and capacity-building activities are you planning over the period 2016-2017?

Methodological and data quality workshops: 1 in 2016 Q4, and 3 in 2017.

What outreach and advocacy efforts are you planning over the period 2016-2017?

In line with the AfDB mandate in supporting data development in countries, all possible means will be explored.

Please fill below details on your tentative plans and timeline for interim activities and ICP 2017

	Interim Activities	ICP 2017
Reference year	2015, with extended data collection in 2016 [Household price survey, machinery & equipment, construction & civil engineering]	2017 if squeezed option 2018 if sliding option
List of <i>expected</i> participating countries	51 [Household price survey, machinery & equipment, construction & civil engineering]	53 No assurance yet that Eritrea and Libya will participate
<i>Expected</i> survey coverage (capital, urban only, or national; by country, if necessary)	Capital city	National
<i>Estimated</i> total number of survey items AND number of GCL items for:		
HHC	556	556
Housing		
Government		
Machinery and Equipment	140	140
Construction and Civil Engineering	50	50
National Accounts		
Number of basic headings	155	155
Date of main GDP aggregates for reference year	2016	2017
Date of compiling GDP vector for latest year	July 2015	March 2017
Date of compiling GDP vector for reference year	June 2016	July 2018
<i>Expected</i> timing of data collection (quarters and years):		
HHC	Quarterly – but irregular	Quarterly: from Q1-2017 to Q2-2018
Housing		May 2017

	Interim Activities	ICP 2017
Government		May 2018
Machinery and Equipment	Year	May-August 2017
Construction and Civil Engineering	Year	June-October 2017
<i>Expected date of data finalization (by data type, if needed)</i>		
HHC		October 2018
Housing		June 2017
Government		June 2018
Machinery and Equipment		October 2017
Construction and Civil Engineering		November 2017
<i>Expected regional results release date</i>		
Preliminary results		October 2018
Final results		December 2018
<i>Expected outputs (report, database, etc.)</i>		
		May 2019

Annex

Africa Regional Brief on ICP activities

1 BACKGROUND

ICP 2017 preparedness measures in Africa are expected to be discussed at a regional meeting of experts scheduled for September/October 2016. This report gives additional answers to key questions above.

In section 2 of this note, we discuss introductory considerations on desk and field work related to price collection and national accounts, before providing the rationale for capacity building activities (section 3). These considerations are meant to help understand our answers to the above questions which should be considered tentative as long as they have not been approved by the countries and the Bank has not yet produced a policy oversight to its Board as framework for resources mobilization. The same cautionary stand applies for the details provided on tentative plans and timeline for interim activities and ICP 2017.

2 INTRODUCTORY CONSIDERATIONS ON PRICE AND NATIONAL ACCOUNTS WORK

2.1 Scope of price data collection

Data collection time frame

All price data for the reference year 2017 will be collected in 2017 and 2018, whereas expenditure data for 155 basic headings will be essentially compiled in 2018. Price surveys will cover household consumption and all comparison-resistant components of GDP. Survey exhaustiveness and the compilation of detailed estimates of GDP expenditure values along the entire GDP vector are justified by the need to fully integrate ICP work with countries' regular activities, and thus contribute to mainstreaming statistical activities in the countries into the national development agenda. More specifically, in managing this exercise, the Bank will strive to avoid duplication of work. Indeed, all activities to be undertaken by a country must be properly agreed with the country and included in their regular work plan.

Novelty though lies in the rolling benchmark approach (RBA), whereby activities will be phased from 2017 to 2018 and possibly 2019. While implementing the reference-year-2017 ICP as a rolling benchmark, the Bank is compelled to anticipate the subsequent round, by virtue of the overlap between RBA-based rounds.

Therefore, each category of activity will be carried out over a 3-year period. Assuming that the second year is the ICP reference or benchmark year, a given activity will be split in 3 equal or unequal parts, one per year. For instance, price survey data from year t are used directly for the benchmark year comparison, while those of the years $t-1$ and $t+1$ are respectively extrapolated or back-cast to year t .

With this approach, there will be no more disruption, no break in ICP activities (continuity). The most will be made of existing country data (integration) as long as it meets ICP requirements of identity, comparability, accuracy and timeliness. Moreover, ICP activities will cost far less than was the case with heavy ICP benchmark rounds (cost saving).

Household consumer prices

Household consumer price surveys were conducted from January to July 2016 and would be extrapolated to 2017. Alternatively, 2016 prices will be derived from countries' CPI baskets, if relevant items are deemed ICP compliant. However, if none of the two conditions are met, two options will be considered: either review the time line for it to slide from 2016-2017-2018 to 2017-2018-2019, or reduce the RBA implementation to 2017-2018. The first option will be referred to as "sliding option", and the second one as "squeezed option".

In the "**sliding option**", a very limited amount of household consumer prices will be collected in 2017 or extracted from CPI databases. These prices will be extrapolated to 2018, using relevant CPI indices. Then, prices will be collected on a quarterly basis for the entire product list in 2018. Quarterly average prices will be combined into annual average prices using the appropriate annual averaging procedure. Finally, a very limited amount of household consumer prices will be collected in 2019 or extracted from CPI databases. These prices will be back-cast to 2018, using relevant CPI indices.

In the "**squeezed option**", prices will be collected on a quarterly basis for the entire product list in 2017. Quarterly average prices will be combined into annual average prices using the appropriate annual averaging procedure. However, 2017 field work will very likely commence late in most countries. Indeed, at this point in time, all required administrative, financial and procurement arrangements have not been made as yet. Therefore, many countries may start collecting data only in May or June 2017. In this case, data collection for household consumption will need to be extended to 2018, in a limited form, time or item wise. The 2018 prices will be back-cast to 2017, using relevant CPI indices.

Should a discussion take place on the choice of the reference year, the sliding option is AfDB preferred option.

Besides the identity and comparability requirements, appropriate tests will be conducted to decide whether CPI prices qualify for considering into the extrapolation or back-casting procedures.

Housing volumes and rentals survey

In the "sliding option", the retrieval of housing quantity information and the conduct of rental surveys will fully take place in 2018. Based on the results, a representative sample of housing information will be defined and retrieved/collected in 2019 and back-cast to 2018.

The "squeezed option" will be implemented the same way as the sliding option, only that data collection will take place in 2017 and 2018.

It is worth noting though that national accounts activities in ICP will require data on dwelling services. Therefore, it can be anticipated that in the sliding option, some housing

information will be available in 2017 and may be extrapolated to 2018, which will make housing PPP estimates more robust.

Time and resource permitting, a pilot study should be undertaken to analyze the feasibility of the user cost method in 7 selected countries. The pilot study data will be validated against rental and quantity data, and vice versa.

As part of the ICP-National Accounts integration, a procedure will be recommended whereby the estimation of expenditure data on dwelling services in National Accounts will be improved.

Government compensation survey

Government compensation data is needed for national accounts. Therefore, it will be retrieved every year, and extrapolated or back-cast depending on whether it concerns the year preceding or following the benchmark year.

In order to make proper comparisons between government compensation in different countries, countries will be asked to provide details of compensation of employees as defined in their national accounts. In this regard, the Bank will:

- Assess the problems encountered in ICP-Africa 2011 in this area and customize the methodological documents accordingly;
- Create a regional database of salary data and related quantity indicators; and
- Provide assistance to countries in collecting and validating the data.

Machinery and equipment (M&E) price survey

This survey will be organized centrally, meaning that two experts in this area will be identified to collect prices from all African countries. However, countries that wish to carry out this survey will be encouraged to do so.

The full survey will take place during the benchmark year 2017, whereas limited data collection may be scheduled in the other years.

Depending on the amount of resources available, the 2017 data collection may be limited to a reduced list of specifications. It is believed that such reduction will not jeopardize the validity of results as the Bank will also use data that was collected by an international expert from October 2015 to April 2016. The expert collected prices for 50 African Countries for 140 items.

Along with direct survey, a pilot study need to be undertaken to test the price factor method for 2017 or 2018 in 7 pilot countries. Also, ICP-Africa 2011 data will be used to confirm the consistency between household durables, purchased machinery and equipment goods and hiring of equipment goods in construction and civil engineering.

As part of ICP-National Accounts integration, a procedure will be recommended to improve the estimation of expenditure data on Machinery and Equipment in National Accounts.

Construction and civil engineering price survey

This survey will be conducted centrally according the same modalities as M&E. Experts will be recruited who will:

- Retrieve necessary data and confirm the consistency in labor data between household services and construction and civil engineering;
- Gather data from all participating countries;
- As part of ICP-National Accounts integration, recommend a procedure aimed to improve the estimation of expenditure data on Construction and civil engineering in National Accounts.

2.2 National Accounts in ICP-Africa

The Bank resources at SROs may be use to:

- Organize training sessions on the Model Report for Expenditure Statistics (MORES) to be attended by NSOs and statistical training centers (STCs);
- Provide technical assistance programs to countries having significant challenges in National accounts compilation for ICP purposes as part of capacity building;
- Propose approaches aimed to strengthen synergy between price statisticians and national accountants in ICP;
- Advocate for harmonized methods of producing national accounts under 2008 SNA;
- Prepare a technical document for helping countries estimate 2017 and 2018 GDP data through MORES template;
- Help the countries improve coverage of National Accounts in terms of production boundary and exhaustiveness in view of producing more reliable ICP results;
- Assess the problems encountered in ICP-Africa 2011 in estimating detailed expenditure values and enhance the relevant compilation and validation tools;
- Help the countries estimate/project GDP and main aggregates and split it through the MORES.
- Review GDP consistency between production and the expenditure approaches; and
- Provide guidance in moving towards ICP-National Accounts integration.

3 CAPACITY BUILDING APPROACH

Areas that will be covered in ICP workshops and technical assistance to countries include:

- GDP expenditures
 - GDP estimation and splitting into 155 detailed basic headings of expenditures;

- Estimation of problematic expenditures such as FISIM, dwelling services, health, education, Changes in inventories and acquisition less disposals of valuables; NPISH.
- Price surveys
 - Main price survey related to household goods and services;
 - Price surveys related to resistant comparison areas of household consumption, such as air transport, holiday packages, fast evolving technology items, private education, health, dwelling services; water, electricity, etc.
 - Price surveys related to government collective services: health, education, government general services;
 - Price surveys related to machinery and equipment; and
 - Price surveys related to construction and civil engineering.
- Requirements of three-year survey planning
 - Survey splitting. The main survey will be split into three or 2 parts depending on the sliding or squeezed options. Which groups of items will be surveyed during year t-1, year t, and year t+1?
 - CPI database querying. For which items will prices be drawn from the CPI database?
- Price extrapolation
 - Which price deflators or extrapolation vectors will be used?
 - Review of consistency between CPI data and ICP data;
 - How to extrapolate prices related to non CPI items?
 - How to assess the quality of extrapolation vectors?
- Price-expenditure consistency
 - Using the national accounts framework to ascertain and secure consistency;
 - More specifically, using SUTs as a platform for consistency review;
 - Using the MORES system to ascertain and secure consistency;
 - Deriving notional prices from the national accounts framework and/or the MORES system;
- PPP computation and validation
 - Although individual countries are not expected to compute their own PPPs, appropriate training will be provided to country statisticians, in order to build a community of PPP compilers who are conversant with the most commonly used PPP methods (EKS, CPD, IKLE, Geary-Khamis, G-EKS, etc.)

- Computation of PPPs- This is particularly useful for large countries like Nigeria, South Africa, DRC, Algeria, and Mali, where sub-national PPPs add value to poverty studies.
- ICP-CPI Integration
 - Harmonize concepts and definitions across the ICP and H(CPIs);
 - Recommend a group of 7 countries to pilot the integration of (H)CPI–ICP, before onward extension to all African countries. The choice of countries must be based on equitable representation of the different sub-regions;
 - Help the 7 pilot countries to ensure that the integration is aligned with the country’s development policy framework, that relevant activities are carried out under a legal framework, and that the necessary conceptual framework, methodological framework, and quality assurance framework are developed/used as guiding principles for the activities.
- ICP-National Accounts integration.
 - Use the MORES approach to provide a quality assurance analysis on the benchmark data used in the GDP rebasing for countries where this process is implemented;
 - Review GDP consistency between production and the expenditure approaches;
 - Provide guidance in moving towards ICP-National Accounts integration.